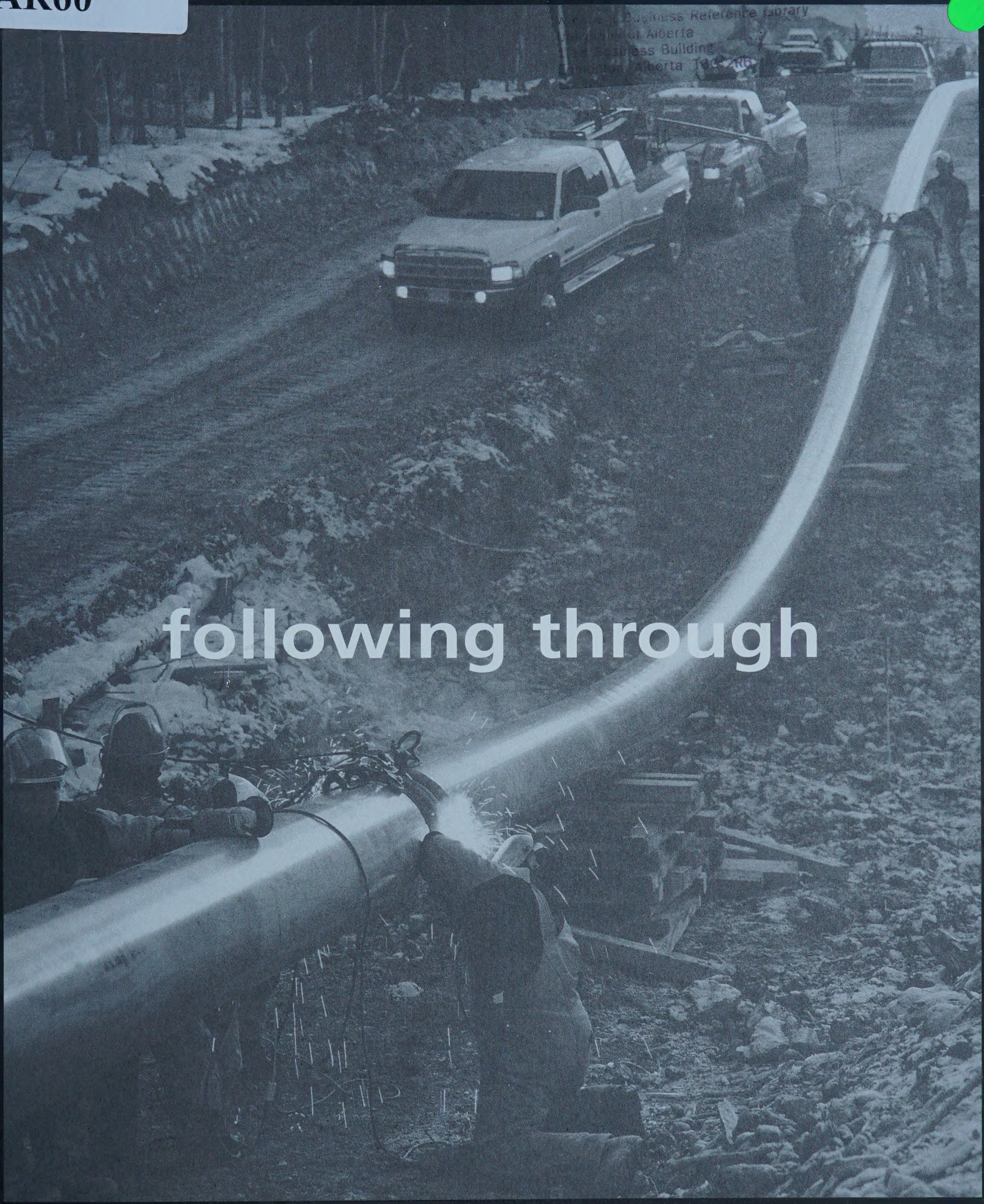

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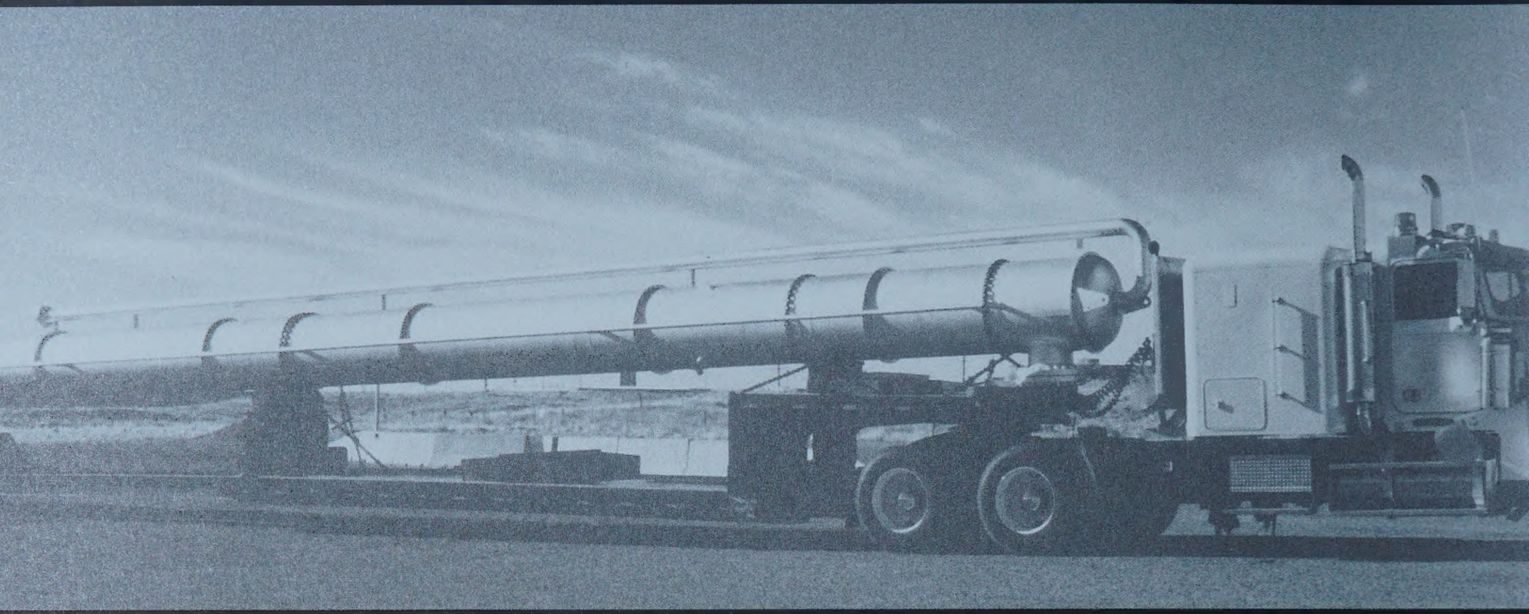
IPEC

IPEC LTD. 2000 ANNUAL REPORT

I P E C



Year 2000 saw IPEC create *value* by integrating its 1999 *acquisition* and *focusing* on operations

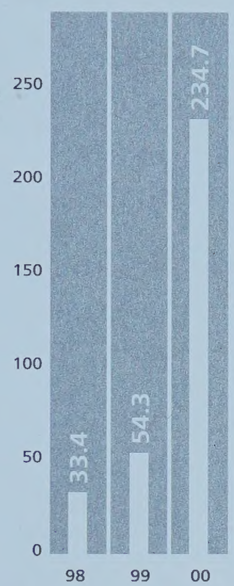
Return on Capital Employed: *30%*

Return on Equity: *34%*

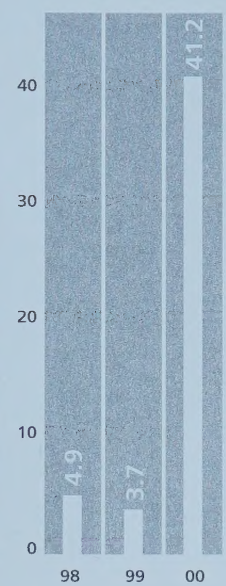
$$\text{Capital Employed} = \frac{\text{Net earnings + After tax interest}}{\text{Equity + Debt + Working capital required for operations}}$$

2000 Highlights

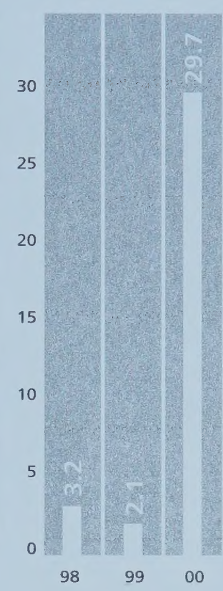
Revenue
($ millions)



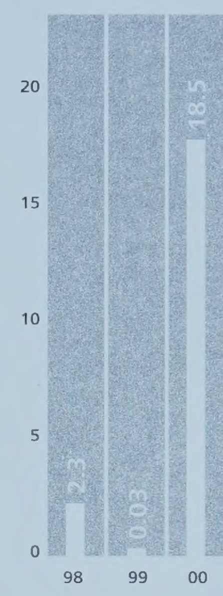
EBITDA
($ millions)



Cash Flow
($ millions)



Net Earnings
($ millions)



FOR THE YEAR ENDED DECEMBER 31

(000S EXCEPT PER SHARE AMOUNTS)	2000	1999	1998
Revenue	**$ 234,651**	$ 54,310	$ 33,386
EBITDA	**$ 41,171**	$ 3,697	$ 4,941
Cash Flow from Operations	**$ 29,734**	$ 2,099	$ 3,221
per share	**$ 0.57**	$ 0.05	$ 0.14
Earnings	**$ 18,546**	$ 32	$ 2,267
per share, diluted	**$ 0.35**	$ 0.00	$ 0.07
Working Capital	**$ 15,013**	$ 12,079	$ 4,523
Capital Lease Obligations	**$ 1,136**	$ 686	$ 695
Long-term Debt	**$ NIL**	$ 23,731	$ 6,286
Shareholders' Equity	**$ 64,471**	$ 44,837	$ 12,477
Average Common Shares Outstanding			
basic	**52,060,000**	39,172,000	26,958,000
diluted	**54,294,000**	52,022,277	29,646,000

President's Message

INTRODUCTION

IPEC Ltd. is pleased to report its financial and operating results for the year ended December 31, 2000. The Company's solid management practices, a well-planned operating strategy, the acquisition of significant assets at year-end 1999, and a strong operating environment allowed us to follow through on our goal of creating value. By integrating its acquisition and focusing on operations, IPEC has become one of the largest public resource service companies in Canada. Moreover, we ended the year with a debt-free balance sheet, positioning us for further growth.

INDUSTRY CONDITIONS

Strong commodity prices throughout 2000 created increased demand for oil and gas exploration and development in western Canada. A record 16,507 wells were completed, representing a 56% increase over the 10,595 wells completed in 1999, and 23 more than were drilled in 1997, the previous record year. Of this total, a record 8,929 gas wells were drilled in 2000, compared with 6,296 in 1999. Oil exploration and development accounted for 5,466 wells in 2000, or 33% of the total.

This record drilling activity created increased demand for IPEC's services. Approximately 77% of the gas wells drilled were development wells, creating increased activity in natural gas gathering system and facility construction. Every successful gas well drilled must be tied in to a gathering system, which in turn must be tied into a lateral, which transports the gas to the transmission main lines throughout western Canada. IPEC, because it is primarily involved in tie-ins and lateral and gathering system construction, benefited substantially from this trend.

FINANCIAL RESULTS

For the year ended December 31, 2000 IPEC generated revenue of $234.7 million, an increase of 332% compared to $54.3 million in 1999. Cash flow from operations increased to $29.7 million from $2.1 million, and cash flow per share increased to $0.57 from $0.05. Net earnings from continuing operations increased to $18.5 million from $32,000 in 1999 and net earnings per share diluted increased to $0.35 from $0.00.

The Company also realized $6.5 million from the sale of surplus assets and assets held for resale. At year end, IPEC recorded working capital of $15.0 million, and shareholders' equity of $64.5 million, an increase of 44%.

OPERATING RESULTS

Both operating divisions enjoyed increased activity levels and improved profitability in 2000 due to a combination of the overall upswing in oil and gas industry activity, the successful integration of the assets IPEC acquired at year-end 1999, and the efforts of our employees.

The Pipeline and Oilfield Construction Division benefited significantly from the increased capacity afforded by the assets acquired at the end of 1999. This provided the critical mass necessary to successfully bid and complete larger-scale projects such as the five Alliance Pipeline Project contracts IPEC undertook in 2000. These contracts, which involved IPEC operations based in Olds and Fairview, Alberta and Fort St. John, British Columbia, were successfully and profitably completed before year-end.

Internal initiatives designed to increase operating efficiencies included combining businesses in each of Brooks and Medicine Hat, rationalizing excess equipment and installing a common information system and controls.

The Petroleum Equipment and Services Division also benefited from the increased activity in the North American oil and gas industry. Demand for premium threading of oil field tubulars and for production equipment increased steadily throughout the year. The market for construction-grade steel was such that IPEC was able to expand its operations with a new Christianson Pipe facility in Edmonton.

LOOKING FORWARD

The demand for natural gas is expected to rise significantly over the years ahead. This, coupled with the steep declines in currently producing reserves, will result in the need for developing significant new reserves of natural gas. The most viable source for meeting this demand is the Northern Frontier of North America with almost 100 trillion cubic feet of established natural gas reserves in Alaska and another 60 trillion cubic feet in the Mackenzie Delta.

Increased natural gas exploration and development activity, in the historical western Canadian sedimentary basin and in the north, appears necessary to accommodate this demand. With the development of new natural gas transmission lines from the north, and the accompanying increase in drilling activity, the demand for small- and medium-diameter pipeline construction, gathering system installation and facility construction should materially increase. The industry is already seeing surging activity in Ft. Liard, and massive land deals in that area as well as in the Mackenzie Delta/Beaufort Sea area.

Major pipeline projects are now being planned, including the Alaska Highway route, parts of which would run through northeast B.C. and the Yukon; and the Mackenzie Valley route, which would run through the Northwest Territories and northeast B.C. Both routes will spawn extensive lateral and gathering system construction as new exploration areas develop in proximity to the transmission lines.

IPEC is well positioned to participate in these projects due to

- extensive experience gained from its work constructing laterals for the Alliance Pipeline
- formal alliances that we have already developed with responsible native groups in the north which provide IPEC greater access to northern work on a preferred basis
- northern operations facilities already in place, including IPEC's new facility at Rainbow Lake

Left to right: J. Blair Goertzen, President; Paul M. Boechler, Vice President Finance and CFO; R.T. (Tim) Swinton, Executive Chairman

OBJECTIVES FOR 2001

During 2001, we intend to maintain our focus on operations while intensifying our efforts to create shareholder value through internal growth initiatives, sensible acquisitions or other corporate transactions. We will remain keenly focused on return on capital employed in 2001, as evidenced by the exceptional performance generated in 2000.

ACKNOWLEDGEMENTS

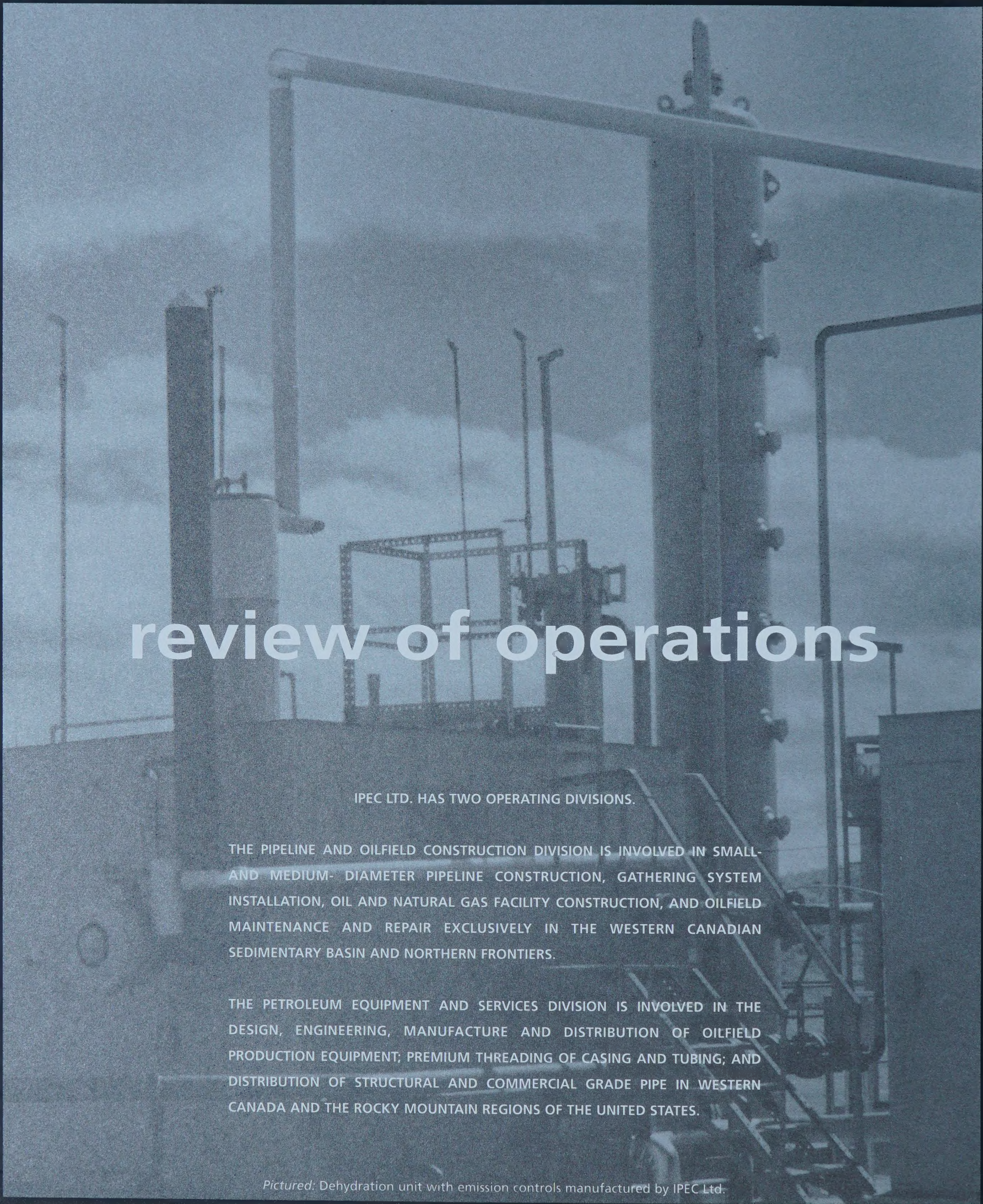
We would like to thank the employees of IPEC Ltd. for their hard work over the past year. Their efforts have been a major reason for IPEC's success. As well, we would like to express our appreciation to our management for their contributions, our Board of Directors for their guidance and to our shareholders for their continued support.

The future of our industry is characterized by growing markets, increasing activity and expanding geographical scope to the north. IPEC is well positioned in terms of both human and financial resources to achieve our goal of broadening the Company's activity base and becoming a meaningful mid-cap service industry provider.

R.T. (Tim) Swinton
Executive Chairman

J. Blair Goertzen
President

February 27, 2001



review of operations

IPEC LTD. HAS TWO OPERATING DIVISIONS.

THE PIPELINE AND OILFIELD CONSTRUCTION DIVISION IS INVOLVED IN SMALL- AND MEDIUM- DIAMETER PIPELINE CONSTRUCTION, GATHERING SYSTEM INSTALLATION, OIL AND NATURAL GAS FACILITY CONSTRUCTION, AND OILFIELD MAINTENANCE AND REPAIR EXCLUSIVELY IN THE WESTERN CANADIAN SEDIMENTARY BASIN AND NORTHERN FRONTIERS.

THE PETROLEUM EQUIPMENT AND SERVICES DIVISION IS INVOLVED IN THE DESIGN, ENGINEERING, MANUFACTURE AND DISTRIBUTION OF OILFIELD PRODUCTION EQUIPMENT; PREMIUM THREADING OF CASING AND TUBING; AND DISTRIBUTION OF STRUCTURAL AND COMMERCIAL GRADE PIPE IN WESTERN CANADA AND THE ROCKY MOUNTAIN REGIONS OF THE UNITED STATES.

Pictured: Dehydration unit with emission controls manufactured by IPEC Ltd.

YEAR IN REVIEW

Industry activity levels in 2000 were generally higher than in 1999. The usual slowing of activity during spring break-up in the second quarter was not as pronounced as in previous years. While break-up affected northern operations, demand for services in southeast Alberta increased in May to near capacity levels. Wet weather across northern Alberta and British Columbia hampered summer construction and impacted profitability and activity levels; however, IPEC's operations all remained profitable. Industry activity increased substantially through fall and into the winter season.

PIPELINE AND OILFIELD CONSTRUCTION

The Pipeline and Oilfield Construction Division operates from locations in Brooks, Medicine Hat, Lloydminster, Olds, Rainbow Lake and Fairview, Alberta; and Fort St. John, British Columbia. During 2000, IPEC ran its Pipeline and Oilfield Construction operations under their historical trade names to take advantage of the marketing value of the reputations these companies developed prior to acquisition. However, IPEC has now fully integrated these subsidiaries in terms of personnel deployment and equipment sharing such that resources can be drawn from any location for any scope of project. This significantly enhances IPEC's ability to undertake larger projects in many areas of western Canada. In addition, it has allowed IPEC to develop associations with some of its major customers wherein IPEC is awarded all projects under a certain size without going to a formal bid process.

The Division profitably completed five contracts for the Alliance Pipeline Project. Work on these lateral projects involved the installation of a total of 640 kilometres of 10- to 20-inch pipe, and deployment of approximately 1,000 employees from operations located in Olds and Fairview, Alberta and Fort St. John, British Columbia. These lines were constructed to bring natural gas to the Alliance mainline.

Elsewhere in western Canada, the Division was involved in numerous small- to medium-inch projects requiring deployment of 30 to 200 employees for periods ranging from one week to two months in duration. This work is the mainstay of IPEC's business and frequently provides higher margins than the larger profile and more competitive projects. Although to date in 2001, activity has been quieter with larger projects, the small- and medium-diameter gathering systems work has increased dramatically. With the integration work accomplished to date, IPEC has increased its capability to complete this work over a much larger geographic area and is currently very busy.

Facilities construction and maintenance contracts, remedial line repair and line replacement of existing pipelines provide 25 to 30% of the Pipeline and Oilfield Construction Division's revenue. The age of the existing infrastructure has resulted in increased repair and maintenance, and the necessity to reline portions of the existing system. In certain areas of Alberta, IPEC's operations are extensively involved in facilities construction and maintenance work. The shallow gas fields in southern Alberta and the heavy oil production in the Lloydminster area require ongoing servicing and development in order to maintain production levels.

PETROLEUM EQUIPMENT AND SERVICES

The Petroleum Equipment and Services Division operates from locations in Edmonton and High River, Alberta and in Casper, Wyoming.

Christianson Pipe, located in High River and Edmonton, Alberta is involved in the distribution of structural and commercial grade pipe and hollow structural sections for piling and other structural purposes. Other markets

Left to right: Jeff Peckham, Jerry Rairdan, Mike Hellman and Earl Wilkes; Pipeline and Oilfield Construction Division

include the construction, steel fabrication, agriculture, mining and snow making industries in both Canada and the United States.

During the year, Christianson obtained access to additional suppliers of construction grade pipe, which allowed for increased sales. To take advantage of this, and strong market demand, an Edmonton location was opened mid-2000, which has successfully increased exposure to additional customers and markets.

J.W. Williams, Inc., located in Casper, Wyoming provides design, engineering and fabrication services to the petroleum, petrochemical, gas processing and mining industries. Products include processing systems, gas plants, modular units for wellhead applications and components such as pressure vessels, heat exchangers, oilfield storage tanks and oil and gas separators. The primary market for these products is the gas-prone U.S. Rocky Mountain Basin; secondary markets include other regions of the United States, Canada and international customers. Regulatory enforcement of emission controls has significantly increased demand for products from J.W. Williams' Natural Draft Combustion line. This line of hydrocarbon vapor control devices incinerates VOL and BTEX emissions from still column overhead condensers, stock tanks and associated gas use. Modified versions of this proprietary product have been developed for use inside hazardous areas. A recent order by a major customer included BTEX combustors on 92 facility packages to eliminate 100% of vapor by-products.

In late 2000, construction commenced on a facility expansion, which will increase plant space to approximately 55,000 square feet. During the year, the customer base was expanded due to a renewed emphasize on marketing and the business's reputation for quality.

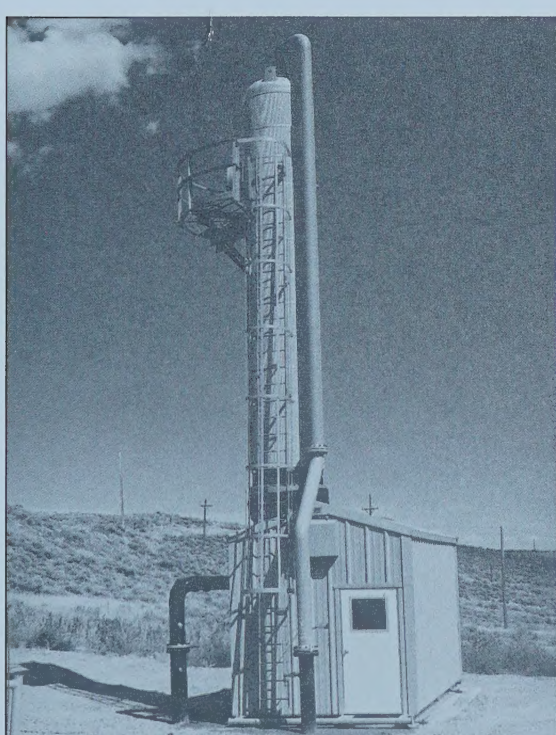
Grey-Mak Pipe, Inc., located in Casper, Wyoming specializes in end finishing, or threading, of casing and tubing to API and premium specifications as well as the precision machining and sale of oilfield tools, pipe, couplings, thread protectors and other accessories directly related to the oil and natural gas industry. Primary customers include oil companies active in the Rocky Mountain Basin, steel mills, and major pipe distributors, as well as mining companies and water well service companies. Increased demand in 2000 allowed Grey-Mak to double shift some of its equipment, increasing levels of utilization and revenue for the year. During the year, Grey-Mak increased its customer base. It is currently threading tubulars for Canadian as well as U.S. customers and has, through association with Christianson, begun to distribute U.S.-sourced construction grade pipe. Grey-Mak and J.W. Williams work closely together and have integrated accounting and certain administration and marketing functions.

It is IPEC's intention to further expand the size of this division both through internal initiatives and acquisitions.

IPEC'S NORTHERN EXPOSURE

The major northern pipeline projects currently proposed to transport natural gas from Alaska and the Mackenzie Delta to growing markets in the south will foster significant natural gas exploration and development in northern areas previously not accessible due to lack of transmission pipelines. This in turn will create the need for gathering systems, lateral pipelines to link fields to the main transmission line and facilities installation and construction. Participation in these projects will be dependent upon having experience, associations with the First Nations, and available resources.

IPEC has demonstrated its competence by constructing 640 km of lateral pipelines and gathering systems for the Alliance Pipeline Project in similar terrain. The Company has a long and successful history of completing projects in the harsh northern environment and currently has operations facilities in Fort St. John, British Columbia, and Fairview and Rainbow Lake, Alberta, areas which would benefit from the proposed pipelines.



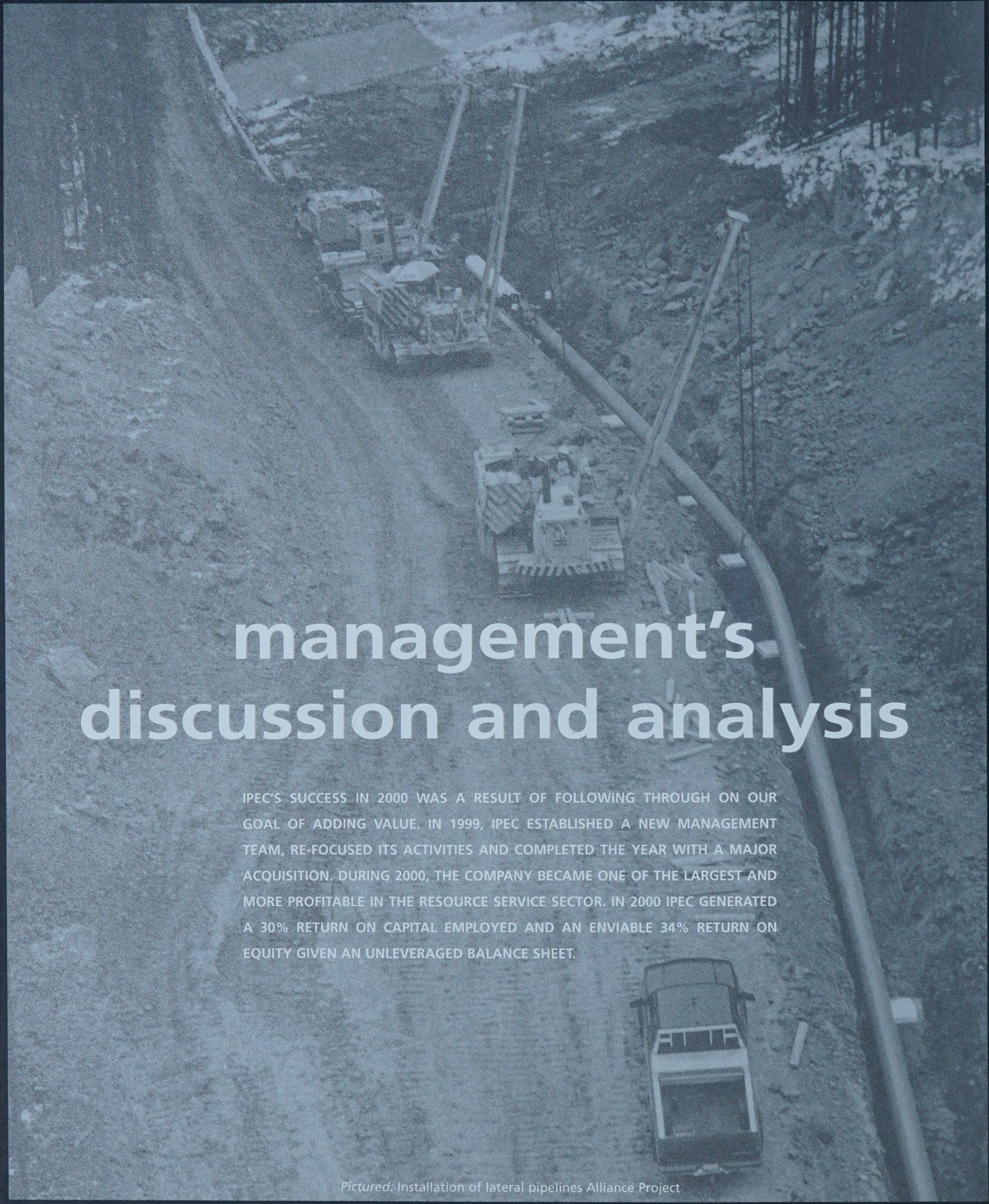
Equipment manufactured and installed by IPEC Ltd.

Over the past year, recognizing the need to work with the First Nations, IPEC consummated agreements or affiliations with

- McKenzie Delta Integrated Oilfield Services Ltd. (MDIOS) – an Inuvialuit company located in Tuktoyaktuk, NWT,
- Beaver Enterprises, the Acho Dene Koe Band in Fort Liard, NWT,
- four additional affiliations with First Nations people in Northern Alberta and British Columbia.

These agreements provide IPEC the opportunity to be a preferred participant in projects over a wide geographic area. IPEC has begun training with the First Nations workforce to establish quality and safety programs which meet IPEC's current operating standard, and to provide employment training and pipeline facility construction knowledge to First Nations businesses. These arrangements provide IPEC with additional capability to work in environmentally sensitive areas and mountain arctic terrain.

IPEC's experience, First Nations alliances, and financial strength, together with a skilled workforce and a suitable fleet of equipment, position IPEC well to benefit from northern development.



management's discussion and analysis

IPEC'S SUCCESS IN 2000 WAS A RESULT OF FOLLOWING THROUGH ON OUR GOAL OF ADDING VALUE. IN 1999, IPEC ESTABLISHED A NEW MANAGEMENT TEAM, RE-FOCUSED ITS ACTIVITIES AND COMPLETED THE YEAR WITH A MAJOR ACQUISITION. DURING 2000, THE COMPANY BECAME ONE OF THE LARGEST AND MORE PROFITABLE IN THE RESOURCE SERVICE SECTOR. IN 2000 IPEC GENERATED A 30% RETURN ON CAPITAL EMPLOYED AND AN ENVIABLE 34% RETURN ON EQUITY GIVEN AN UNLEVERAGED BALANCE SHEET.

Pictured: Installation of lateral pipelines Alliance Project

The significant and opportune acquisiti
at December 31, 1999 for $3
increased the Company
which, when combined with
demand, resulted in revenue increasin
million from $54.3 in 1
management of the acquisitio
integration and rationalizat
after the successful completic
as part of the Alliance c
horizontal drilling assets acq

Combining operations in Medicine Hat and Brooks, Alberta, where facilities duplication was created with the acquisition, resulted in reduced costs and increased efficiency in these areas of the province. IPEC also combined and consolidated insurance plans, purchasing, employee benefits and information systems and controls. The ability to share equipment and transfer skilled employees from one area of the province to another reduced costs and allowed IPEC to complete an expanded array of projects on a high quality and timely basis.

The acquisition on December 31, 1999 was financed with 60% debt and 40% equity and by December 29, 2000, one year after the acquisition, IPEC had repaid all its outstanding debt including the acquisition debt.

As a result, IPEC's balance sheet at the end of 2000 is one of the best in the resource service industry. IPEC ended the year with $ 15.0 million of working capital, and an unencumbered balance sheet.

Revenue for year ended December 31, 2000 increased by 332% to $234.7 million from $54.3 million in 1999. The majority of this increase was in the Pipeline and Oilfield Construction Division where revenue increased to $197.2 million from $26.2 million in 1999. The primary reason for this increase was the successful operation of the assets acquired December 31, 1999 which increased capacity and expanded the number of operating locations. The Petroleum Equipment and Services Division also had an excellent year with revenue increasing to $37.4 million from $28.1 million in 1999. This increase was a result of a more active industry, increased demand for the Company's products and services, and more aggressive marketing.

Gross margin or operating income, like revenue, increased significantly during 2000. The increase in revenue led to a 388% increase to $49.8 million from $10.2 million in 1999. Gross margin as a percentage of revenue increased to 21.2% for the year from 18.8% during the prior year. The Pipeline and Oilfield Construction Division gross margin increased significantly to 21.8% from 19.8% in 1999. The increase in demand for services allowed IPEC to increase prices over 1999, a year in which idle capacity existed and competition for work reduced prices.
In the Petroleum Equipment and Services Division, revenue and operating income also increased. Gross margins increased slightly to 18.2% from 17.8% in 1999.

[illegible] TRATIVE AND [illegible]

General and administrative costs increased on an absolute basis but were significantly reduced as a percentage of revenue. Total general and administrative costs for 2000 were $8.6 million or 3.7% of revenue compared to $4.9 million or 9.0% of revenue in 1999. Corporate general and administrative costs continued to be closely monitored in 2000. Corporate costs were reduced to 1.3% of total revenue during 2000 compared to 3.3% in 1999. IPEC continues to believe that profits are earned in the field and that close control of overhead expense is necessary.

[illegible]

Interest expense increased during 2000 to $1.3 million, net of interest income, from $1.0 million in 1999. The distribution of interest expense throughout the year was heavily weighted to the first six months. During the year, sound operating results allowed for the accumulation of working capital, including cash, and for the reduction of debt. Cash invested earned interest income of $374,000, mainly in the last quarter of the year. At December 31, 2000 the Company had no bank debt.

[illegible]

Net earnings increased to $18.5 million or $0.35 per share on a diluted basis compared to a loss of $396,000 in 1999. Earnings are reflective of the level of revenue and operations income during the year. Income tax of $13.9 million is a combination of $10.0 million current term and $3.9 million future taxes.

CONSOLIDATED RESULTS FOR THE YEAR ENDED DECEMBER 31, 1999

REVENUE

During 1999, IPEC's revenue was almost evenly split between its two divisions. Revenue totalled $54.3 million for 1999 compared to $33.4 million for 1998. Most of the improvement for 1999 occurred in the Pipeline & Oilfield Construction Division, where revenue increased to $26.2 million from $6.9 million in the previous year, primarily due to acquisitions. Petroleum and Equipment Services revenue increased to $28.1 million from $26.5 million in 1998.

OPERATING INCOME

Operating income increased marginally during 1999 but not in proportion to the increase in revenue. This was a result of lower operating margins in a much more competitive market. Gross margins were 18.8% in 1999 compared to 27.4% in 1998. The Pipeline and Oilfield Construction Division saw the greater decline in gross margins as excess capacity in that business caused increased competition for available work. Margins in 1999 were 19.8%. In the Petroleum Equipment and Service Division, gross margins declined to 17.8% from 24.8% in 1999 with only J.W. William's operation showing growth in 1999 over 1998 for both revenue and earnings.

GENERAL AND ADMINISTRATIVE AND REORGANIZATION COSTS

During the first nine months of the year, IPEC restructured to refocus its business strategy under new leadership, and as a result, incurred consulting, legal and severance costs. Cash restructuring costs amounted to $1.6 million in 1999. In an effort to establish IPEC as an efficient and cost-effective company, overhead costs in the head office were reduced and the corporate art collection was sold. General and administrative costs increased to $4.9 million in 1999 from $4.2 million in 1998. This increase was due to the additional operations acquired and higher costs during the first part of the year.

INTEREST EXPENSE

Interest costs were higher in 1999 due in part to an acquisition loan, which was refinanced in March of 1999 at prime plus 1%, compared to prime plus 5% during the first quarter of the year. In addition, debt was added with the acquisition of two pipeline and oilfield construction businesses and the financing of unprofitable operations during the first part of the year. The restructuring undertaken allowed IPEC, for the balance of the year, to use its cash flow from operations for expansion and debt reduction.

NET EARNINGS

IPEC had earnings of $32,000 from continuing operations after re-structuring costs of $1.6 million. A loss from discontinued operations resulted in a net loss of $396,000 for the year compared to earnings of $2.1 million in 1998.

LIQUIDITY

At December 31, 2000 IPEC had working capital of $15.0 million. This, combined with unused operating lines of Cdn$30 million and US$3 million, provides IPEC with sufficient working capital to finance its operations.

CAPITAL RESOURCE

IPEC has one of the strongest balance sheets in the Canadian resource services sector of the industry. With no long-term borrowing at December 31, 2000, ($23.7 million at the end of 1999) and only $1.1 million, of capital leases, the Company entered 2001 with the debt capacity and sufficient cash flow to meet expansion plans for the future. The Company did not issue any equity during 2000 other than the exercise of employee stock options.

IPEC is an active participant in the oilfield services industry and, as such, is impacted primarily by spending and activity levels of oil and natural gas producers, as well as by interest and foreign exchange rates. Any one, or all, of these items can effect IPEC's profitability; accordingly, the Company minimizes its exposure to these factors through effective risk management, diversified service offerings focused on the production side of the well bore, and maintenance of a strong financial position. The establishment of the U.S. lines of credit secured against the Company's U.S.-generated receivables reduces the exposure to currency fluctuations.

Activity in the oil and gas service sector is predicted to remain strong during 2001, allowing IPEC the opportunity to utilize its expanded capability. While the quarterly distribution of revenue and profits is expected to change, due to the distortion of the timing of 2000 quarterly results by the timing of the realization of revenue from the Alliance project, profitability is expected to be maintained. The industry's emphasis on natural gas development has led to robust activity levels in early 2001 for IPEC with regard to construction of small- and medium-diameter pipelines, gathering systems and facilities, although larger scale projects have not yet been awarded.

Corporate Governance

IPEC Ltd. understands that it is the responsibility of the Board of Directors to manage the business affairs of the Company, and to identify principal risks of the Company's business and ensure the implementation of appropriate systems to manage these risks. In addition to its regular duties, Board responsibilities include the approval of material acquisitions and new business ventures.

The Board discharges this responsibility by selecting management and delegating day-to-day operations to them. Management is accountable for running the business in the best interests of the shareholders and ensuring adequate internal controls are in place to mitigate risk, all in accordance with the direction and guidance of the Board.

The Board consists of seven members, the majority of whom are considered unrelated directors and three of whom are considered related directors because of their positions as officers of the Company.

The Board does not have a nomination committee; candidates for nomination to the Board are considered by the Board as a whole. The Board of Directors has addressed orientation and education programs for new directors through informal discussions and reference materials. There is no mandatory retirement policy for the directors.

As part of its duties regarding the stewardship of the Company, the Board is responsible for the development of a strategic plan.

AUDIT COMMITTEE

(J. Clarkson, M.A. Lambert, J. Reynolds)

The Audit Committee is composed of non-management members who review and, if appropriate, recommend the financial statements to the Board for approval. The Audit Committee reviews management reporting, internal financial and operating controls, policies and practices with management and the auditors.

COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

(J. Hokanson, M.A. Lambert, J. Reynolds)

The Board of Directors has established this committee, comprising non-management directors, primarily to provide evaluations and recommendations to the Board concerning management structure and compensation of key management personnel, to review management's compensation plans for the business, to make recommendations regarding appropriate compensation for directors, and to develop the Company’s approach to matters of corporate governance.

Management's Responsibility for Financial Statements

The management of IPEC Ltd. is responsible for the preparation of all the information included in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and, where necessary, include amounts based on management's informed judgements and estimates. Financial information included elsewhere in this report is consistent with the consolidated financial statements.

Management maintains an appropriate system of accounting and administrative controls to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable financial statements. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations.

KPMG LLP, Chartered Accountants, appointed by the shareholders, have audited the consolidated financial statements and conducted a review of internal accounting policies and procedures to the extent required under Canadian generally accepted auditing standards, and performed such tests as they deemed necessary to enable them to express an opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee reviews the financial content of the Annual Report and meets regularly with management and KPMG LLP to discuss internal controls, accounting, auditing and financial matters. The Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements.

R. T. (Tim) Swinton
Executive Chairman of the Board

Paul M. Boechler
Vice President, Finance and Chief Financial Officer

Auditors' Report to The Shareholders

We have audited the consolidated balance sheets of IPEC Ltd. as at December 31, 2000 and 1999 and the consolidated statements of operations, and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants
February 23, 2001 Calgary, Canada

Consolidated Balance Sheets

AS AT DECEMBER 31	2000	1999
ASSETS		
Current assets:		
Cash	$ 2,112,058	$ 6,422,713
Accounts receivable	32,284,769	14,586,613
Inventories (note 3)	8,060,187	5,673,356
Assets held for resale	–	2,580,000
	42,457,014	29,262,682
Capital assets (note 4)	44,025,553	46,134,432
Goodwill (note 5)	11,193,992	11,799,810
	55,219,545	57,934,242
	$ 97,676,559	$ 87,196,924
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 16,258,923	$ 8,020,537
Income taxes payable	9,000,550	–
Deferred revenue	–	4,350,000
Current portion of capital leases (note 6)	2,184,216	547,544
Current portion of long-term debt	–	4,265,654
	27,443,689	17,183,735
Capital leases (note 6)	1,136,272	685,760
Long-term debt (note 6)	–	23,730,514
Future income taxes (note 10)	4,625,906	760,396
	5,762,178	25,176,670
Shareholders' equity:		
Share capital (note 8)	45,529,271	44,440,771
Retained earnings	18,941,421	395,748
	64,470,692	44,836,519
	$ 97,676,559	$ 87,196,924

Refer to note 7 for commitments

See accompanying Notes to Consolidated Financial Statements

Approved by the Board

Director

Director

Consolidated Statements of Operations and Retained Earnings

YEARS ENDED DECEMBER 31	2000	1999
Sales:		
Pipeline and oilfield construction	$ 197,237,238	$ 26,169,588
Petroleum equipment and services	37,413,407	28,140,672
	234,650,645	54,310,260
Cost of sales:		
Pipeline and oilfield construction	154,254,905	20,979,925
Petroleum equipment and services	30,620,386	23,129,046
	184,875,291	44,108,971
	49,775,354	10,201,289
Expenses:		
General and administrative	8,604,402	4,893,043
Interest,net	1,331,529	1,046,378
Amortization of capital assets	6,785,445	1,761,599
Amortization of goodwill	605,818	582,739
Corporate re-organization	–	1,610,893
	17,327,194	9,894,652
Earnings from continuing operations before income taxes	32,448,160	306,637
Income taxes (recovery) (note 10)		
Current	10,044,333	490,801
Future	3,858,154	(216,148)
	13,902,487	274,653
Earnings from continuing operations	18,545,673	31,984
Loss from discontinued operations (note 9)	–	(427,705)
Net earnings (loss)	18,545,673	(395,721)
Retained earnings, beginning of year	395,748	1,195,860
Adjustment due to change in accounting policy (note 1)	–	(404,391)
Retained earnings, end of year	$ 18,941,421	$ 395,748

Refer to note 11 for per share information

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

YEARS ENDED DECEMBER 31	2000	1999
Cash flows from (used in):		
Operations:		
Earnings from continuing operations	**$ 18,545,673**	$ 31,984
Adjustments for:		
Depreciation and amortization	**7,391,263**	2,344,338
Future income taxes	**3,858,154**	(216,148)
Amortization of lease incentive	**(60,780)**	(60,785)
Funds from operations	**29,734,310**	2,099,389
Net change in non-cash working capital	**(4,547,915)**	3,967,277
	25,186,395	6,066,666
Funds used in discontinued operations	**–**	(915,541)
	25,186,395	5,151,125
Financing:		
Increase (decrease) in long-term debt	**(30,702,535)**	21,211,869
Issue of common shares,		
For cash, net of issue costs	**–**	29,624,273
On exercise of stock options	**1,088,500**	280,300
Due to related parties	**–**	(1,844,025)
	(29,614,035)	49,272,417
Investments:		
Capital asset disposals	**6,424,770**	198,402
Capital asset additions	**(6,307,785)**	(3,924,448)
Business combinations (note 2)	**–**	(38,444,668)
	116,985	(42,170,714)
Increase (decrease) in cash	**(4,310,655)**	12,252,828
Cash, beginning of year	**6,422,713**	(5,830,115)
Cash, end of year	**$ 2,112,058**	$ 6,422,713

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

FORMATION OF THE BUS[illegible]

IPEC Ltd. (the 'Company') is an oilfield services company operating in Canada and the United States. IPEC Ltd. provides services relating to the installation of pipelines and gathering systems and the design, engineering and manufacturing of oilfield production equipment and supplies. The Company was incorporated on August 1, 1996 and is publicly traded on the Toronto Stock Exchange.

1 SIGNIFICANT [illegible]

These consolidated financial statements have been prepared by Management in accordance with generally accepted accounting principles in Canada. Since the determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these financial statements requires the use of estimates and assumptions. In the opinion of Management, these financial statements have been prepared within reasonable limits of materiality following the significant accounting policies summarized below.

[a] Basis of presen[illegible]

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

The accounts of the Company's integrated foreign operations are translated into Canadian dollars using the temporal method whereby current monetary assets and liabilities are translated at the year-end exchange rate and revenue and expenses are translated at average exchange rates for the period. Non-monetary, long-term assets and liabilities are translated at historic rates of exchange. Gains and losses arising from the translation of the accounts of the foreign operations are included in general and administrative expenses. The foregoing represents a change in accounting policy effective January 1, 2000 with no effect on the financial statements.

[illegible]

Inventories are valued at the lower of cost and net realizable value.

[c] Capital ass[illegible]

Capital assets are stated at cost. Depreciation is recorded using the following methods and annual rates:

Buildings	declining-balance	5%
Construction equipment	declining-balance	10% to 15%
Automotive equipment	declining-balance	30%
Other equipment	declining-balance	15%
Furniture and fixtures	declining-balance	20%
Leasehold improvements	straight-line	over the term of the lease

[d] Revenue recogniti[illegible]

On construction contracts, revenue is accrued using the percentage-of-completion method. Revisions in cost and profit estimates during the course of the work are reflected in the period in which the need for the revision becomes known, including provision for any anticipated losses. Contracts sometimes contain incentive and/or penalty provisions based on performance relative to established targets which are included in revenue or cost estimates when such amounts can reasonably be determined.

All other revenue is recognized at the time products are shipped or services are rendered under binding sales agreements with the customer.

Goodwill represents the excess of the purchase price over the net identifiable assets on acquisitions and is amortized on a straight-line basis over 20 years unless a write-down is required to reflect permanent impairment. Impairment, if any, is determined by comparison of the unamortized balance of goodwill and associated operating costs with undiscounted future cash flows.

The Company provides for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. Future income tax liabilities and assets are measured using tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. Any change to the net future income tax assets and liabilities is included in the income tax expense or recovery in the year it occurs.

The foregoing was adopted in 1999 and resulted in a $404,391 reduction in retained earnings, a $257,676 increase in share capital and a $475,065 increase in goodwill all as of January 1, 1999.

The Company has adopted, with retroactive effect to January 1,1999 the treasury stock method of calculating diluted earnings per share. The effect of this change in accounting policy has been to increase diluted earnings per share by $0.01 per share with no effect on 1999.

The Company purchased, for cash, certain small- and medium-diameter pipeline construction equipment and other assets effective December 31, 1999 from a receivership. The purchase was financed with a $19.3 million term loan which was repaid during 2000 and the issuance of 9.3 million common shares at $1.50 per share. These assets were recorded as capital assets of $27.6 million and assets held for resale of $2.6 million. The assets held for resale were disposed of during 2000. The Company also re-negotiated certain construction contracts which were completed during 2000. The $4.3 million of associated deferred revenue was recognized in 2000.

Pursuant to an agreement dated August 7, 1998 the Company purchased effective January 1, 1999 all of the shares of Band-Jo Oilfield Services Ltd. for a total consideration of $5.5 million, consisting of 2,630,873 common shares of the Company and $3.5 million cash. Total assets of $6.7 million were acquired and $1.2 million of liabilities were assumed. The purchase method of accounting was used resulting in $4.4 million of goodwill.

Pursuant to an agreement dated August 7, 1998 the Company purchased effective January 1, 1999 all of the shares of Silverdale Welding Ltd. for a total consideration of $6.1 million consisting of 2,212,500 common shares of the Company and $4.4 million cash. Total assets of $7.3 million were acquired and $1.1 million of liabilities were assumed. The purchase method of accounting was used resulting in $4.0 million of goodwill.

INVENTORIES

		2000		1999 restated
Finished goods	$	5,842,117	$	4,300,880
Raw materials		559,890		506,051
Work in progress		1,658,180		866,425
	$	8,060,187	$	5,673,356

CAPITAL ASSET

December 31, 2000		Cost		Accumulated Amortization		Net Book Value
Land	$	2,823,886	$	–	$	2,823,886
Buildings		6,690,812		2,277,395		4,413,417
Construction equipment		34,748,721		7,675,805		27,072,916
Automotive equipment		10,008,463		4,173,017		5,835,446
Other equipment		7,099,982		4,206,620		2,893,362
Leasehold improvements		460,562		213,301		247,261
Furniture and fixtures		1,475,342		736,077		739,265
	$	63,307,768	$	19,282,215	$	44,025,553
December 31, 1999						
Land	$	2,504,444	$	–	$	2,504,444
Buildings		6,477,106		2,096,626		4,380,480
Construction equipment		33,408,979		5,037,610		28,371,369
Automotive equipment		7,177,667		1,662,032		5,515,635
Other equipment		8,862,055		4,480,089		4,381,966
Leasehold improvements		479,645		185,849		293,796
Furniture and fixtures		1,367,881		681,139		686,742
	$	60,277,777	$	14,143,345	$	46,134,432

GOODWILL

The accumulated amortization of goodwill at December 31, 2000 is $1,319,774 (1999 - $713,956).

BANK INDEBTEDNESS A

[a] Current operating facilities:

[i] A $30 million operating line payable on demand and revolving, secured by a first floating charge over certain receivables and inventories, plus a floating charge over all capital assets.

[ii] Revolving operating lines totalling US$3.0 million, secured by a floating charge over accounts receivables and inventories of the U.S. operations.

[b] Term Loans and Capital Lease Obligations

	2000	1999
Long-term debt		
Term loans	$ –	$ 27,760,655
Capital leases	3,153,325	1,233,304
Other	167,163	235,513
	3,320,488	29,229,472
Less current portion	(2,184,216)	(4,813,198)
	$ 1,136,272	$ 24,416,274

The term loan facilities, which were repaid by December 31, 2000 bore interest at bank prime plus 0.25% to 1%. On the operating loans, the Company has the option of using the banker's acceptance rate plus a stamping fee of 1.5% to 2.0%. Capital leases have interest rates varying from 0% to 9.2% and are secured by specific charges on the equipment financed.

Interest on long-term debt included in interest expense amounted to $ 1,548,000 (1999 - $1,040,000).

Estimated future principal repayments are as follows:

2001	$ 2,184,216
2002	846,489
2003	289,783
	$ 3,320,488

The Company has various leases on its office premises as well as construction equipment and vehicles. The total future commitments under these lease agreements are estimated to be approximately $1,800,000 per year until November 2003.

Unlimited number of common shares
Unlimited number of preferred shares issuable in series

Common shares	Number of shares	Amount
Balance December 31, 1998	26,957,800	$ 10,911,982
Adjustment due to change in accounting policy (note 1)	–	257,676
Issued on private placements net of issue costs	22,912,144	29,590,563
Issued on acquisition of companies (note 2)	4,843,373	3,400,250
Issued on exercise of stock options	698,000	280,300
Cancellation of performance based escrow shares	(4,000,000)	–
Balance December 31, 1999	51,411,317	44,440,771
Issued on exercise of stock options	1,199,000	1,088,500
Balance December 31, 2000	52,610,371	$ 45,529,271

Subsequent to year end, effective January 24, 2001 the Company initiated a normal course issuer bid to acquire up to 2,821,814 of its common shares pursuant to the rules of the Toronto Stock Exchange.

[c] Stock options

The Company has an incentive stock option plan for employees, officers and directors. Options issued under the plan may be exercised at a rate of 20% on the award date and 20% on each of the four following award date anniversaries.

	2000		1999	
Options	Shares	Weighted average Exercise price	Shares	Weighted average Exercise price
Outstanding at beginning of year	3,589,000	$ 1.10	2,687,530	$ 0.84
Granted	1,150,000	$ 2.17	2,390,000	$ 1.14
Exercised	(1,199,000)	$ 0.91	(698,000)	$ 0.41
Cancelled	(5,000)	$ 1.60	(790,530)	$ 0.91
Outstanding at end of year	3,535,000	$ 1.51	3,589,000	$ 1.10
Options exercisable at year-end	1,707,000	$ 1.26	1,376,500	$ 0.97

Range of Exercise Prices as at December 31, 2000

	Options outstanding			Options exercisable	
	Number	Remaining contractual life (months)	Weighted average exercise price	Number	Weighted average price
$1.00 - $1.49	2,155,000	35.3	$ 1.14	1,423,000	$ 1.10
$1.50 - $1.99	740,000	50.9	$ 1.74	156,000	$ 1.74
$2.00 - $2.50	640,000	55.0	$ 2.50	128,000	$ 2.50
	3,535,000		$ 1.51	1,707,000	$ 1.26

DISCONTINUI

During 1999, the Company discontinued three separate minor operations. As at December 31, 1999 assets relating to the discontinued operations included approximately $667,000 of inventories and there were no outstanding liabilities. Discontinued operations are summarized as follows:

		1999
Revenues		$ 4,589,204
Income taxes (recovery):	Current	$ 42,078
	Future	$ (550,413)
Loss from operations		$ 326,345
Loss on discontinuance		101,360
Loss from discontinued operations		$ 427,705

The consolidated income tax provision differs from the amount computed by applying the combined Canadian federal and provincial income tax rate to earnings from continuing operations before income taxes as follows:

		2000		1999
Expected combined Canadian federal and provincial income tax rate		44.62%		44.62%
Expected provision for income taxes	$	14,478,369	$	136,821
Increase (decrease) in income taxes resulting from:				
Differences in foreign income tax rates		(344,967)		(210,888)
Non-deductible items		668,956		274,567
Differences in tax rates applicable to future taxes		(899,871)		–
Other		–		74,153
Income tax expense related to continuing operations	$	13,902,487	$	274,653

The components of the net future income tax assets and liabilities are as follows:

		2000		1999
Future income tax assets:				
Share issue costs	$	153,000	$	328,000
Loss carryforwards		–		1,843,000
		153,000		2,171,000
Future income tax liabilities:				
Capital assets		4,392,074		2,931,396
Other		386,832		–
		4,778,906		–
Future income tax liability – net	$	4,625,906	$	760,396

		2000		1999
Earnings (loss) per share				
Basic:				
Continuing operations	$	0.36	$	0.00
Discontinued operations		–		(0.01)
	$	0.36	$	(0.01)
Diluted:				
Continuing operations	$	0.35	$	0.00
Discontinued operations		–		(0.01)
	$	0.35	$	(0.01)

Per common share amounts are calculated based on the weighted average number of common shares outstanding during 2000 and 1999 of 52,059,541 and 39,171,645 respectively. In computing diluted earnings per share, 1,684,000 shares (1999 - 611,000) were added to the weighted average number of common shares outstanding during the year in respect of employee stock options.

12. FINANCIAL INSTRUMENTS

The carrying amount of cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates fair value due to the short-term maturities of these instruments. The carrying value of long-term debt is not materially different from its estimated fair value. The Company is exposed to interest rate risk through its bank indebtedness and long-term debt.

Through its U.S. operations, the Company is exposed to foreign currency fluctuations. The effect of these fluctuations is not expected to be material due to the relative size of those operations.

13. STATEMENT OF CASH FLOWS

The components of the change in non-cash working capital are as follows:

	2000	1999
Accounts receivable	$ (17,698,156)	$ (3,832,847)
Inventories	(2,386,831)	814,787
Assets held for resale	2,648,136	2,635,337
Accounts payable and accrued liabilities	8,238,386	–
Income taxes payable	9,000,550	–
Deferred revenue	(4,350,000)	4,350,000
	$ (4,547,915)	$ 3,967,277

Interest paid in 2000 was $1,548,000 (1999 - $1,040,000)

14. SEGMENTED INFORMATION

Industry Segments

Year ended December 31, 2000	Petroleum Equipment and Services	Pipeline and Oilfield Construction	Consolidated
Sales	$ 37,413,407	$ 197,237,238	$ 234,650,545
Cost of sales	30,620,386	154,254,905	184,875,291
	6,793,021	42,982,333	49,775,354
Depreciation	558,113	6,227,332	6,785,445
Amortization	27,041	578,777	605,818
Interest expense	133,053	1,198,476	1,331,529
Subtotal	6,074,814	34,977,748	41,052,562
General & administrative			8,604,402
Income taxes			13,902,487
Net earnings			$ 18,545,673
Total assets	$ 23,748,000	$ 73,929,559	$ 97,676,559
Capital additions	$ 1,713,000	$ 9,251,000	$ 10,964,000

Year ended December 31, 1999	Petroleum Equipment and Services	Pipeline and Oilfield Construction	Consolidated
Sales	$ 28,140,672	$ 26,169,588	$ 54,310,260
Cost of sales	23,129,046	20,979,925	44,108,971
	5,011,626	5,189,663	10,201,289
Depreciation	688,012	1,073,587	1,761,599
Amortization	26,813	555,926	582,739
Interest expense	655,776	390,602	1,046,378
Subtotal	3,641,025	3,169,548	6,810,573
General & administrative			4,893,043
Reorganization costs			1,610,893
Income taxes			274,653
Loss from discontinued operations			427,705
Net earnings (loss)			$ (395,721)
Total assets	$ 18,899,173	$ 68,297,751	$ 87,196,924
Capital additions	$ 906,094	$ 44,863,388	$ 45,769,482

Geographic Segments

Year ended December 31, 2000	Canada	United States	Consolidated
Sales	$ 209,474,313	$ 25,176,332	$ 234,650,645
Cost of sales	164,935,233	19,940,058	184,875,291
Operating income	$ 44,539,080	$ 5,236,274	$ 49,775,354
Capital assets and goodwill	$ 48,377,443	$ 6,842,102	$ 55,219,545
Year ended December 31, 1999			
Sales	$ 32,432,513	$ 21,877,747	$ 54,310,260
Cost of sales	26,610,110	17,498,861	44,108,971
Operating income	$ 5,822,403	$ 4,378,886	$ 10,201,289
Capital assets and goodwill	$ 52,377,871	$ 5,556,371	$ 57,934,242

Approximately 34% of revenues in 2000 were earned from contracts with one customer.

Corporate Information

EXECUTIVE MANAGEMENT

R.T. (Tim) Swinton
Executive Chairman

J. Blair Goertzen
President

Paul M. Boechler
Vice President Finance, Chief Financial Officer and Corporate Secretary

Dean Bethune
Vice President Corporate Development

Notice of Annual General Meeting
The Annual General Meeting of the Shareholders of IPEC Ltd. will be held on Wednesday, May 2nd at 3:00 pm at the Calgary Petroleum Club at 319 - Fifth Avenue SW, Calgary, Alberta.

DIRECTORS

R.T. (Tim) Swinton
Executive Chairman
IPEC Ltd.
Calgary, Alberta

John Clarkson (1)
Clearwater Capital Corporation
Calgary, Alberta

J. Blair Goertzen
President
IPEC Ltd.
Calgary, Alberta

John Hokanson (2)
Bonus Resource Services Corp.
Calgary, Alberta

Dwayne Howrish
Grey-Mak Pipe, Inc.
Casper, Wyoming

Martin A. Lambert (1) (2)
Bennett Jones LLP
Calgary, Alberta

John Reynolds (1) (2)
Lime Rock Partners LLC
Westport, Connecticut

(1) Audit Committee
(2) Compensation and Corporate Governance Committee

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Calgary, Alberta

BANKERS
HSBC Bank of Canada
Calgary, Alberta

INSURANCE BROKERS
Marsh Canada Limited
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT
Computershare Investor Services, Inc.
Calgary, Alberta and Toronto, Ontario

SOLICITORS
Bennett Jones LLP
Calgary, Alberta

TRADING INFORMATION
Toronto Stock Exchange
Symbol: IPE

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